

Message Text

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15

ACTION EB-07

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TAGS/ ETRD, EEWT, UR, US

SUBJECT: SOVIET TRADE OFFICIAL FORESEES DECLINE IN IMPORTS FROM
U.S.

1. DEPUTY MINISTER OF FOREIGN TRADE ALEKSEY MANZHULO TOLD DCM AND E/C COUNSELOR DURING COURTESY CALL TODAY TO INTRODUCE LATTER THAT SOVIET FOREIGN TRADE CORPORATIONS HAVE CONTRACTED WITH U.S. FIRMS FOR IMPORTATION OF INDUSTRIAL GOODS VALUED AT 919 MILLION RUBLES (ABOUT \$1,233 MILLION) FROM CALENDAR 1976 UP THROUGH 1979. NO CONTRACTS HAVE BEEN WRITTEN FOR DELIVERIES AFTER 1979, AND WHILE THERE WILL DOUBTLESS BE SOVIET FURTHER PURCHASES, IT WILL REQUIRE REMOVAL OF "ARTIFICIAL" U.S. BARRIERS TO TRADE TO BRING LEVEL AT END OF DECADE AND INTO 1980'S TO, MUCH LESS ABOVE, THAT CURRENT NOW. HE SAID THAT SOVIET EXPORTS IN THE FIRST HALF OF 1976, THOUGH BETTER THAN 1975, WERE WELL BELOW 1974 LEVEL BECAUSE IT RECENTLY HAS BEEN MORE ADVANTAGEIOUS TO USSR TO SELL IN OTHER MARKETS.

2. WHEN ASKED WHETHER SOVIETS HAD MADE ANY PROJECTIONS REGARDING POTENTIAL TRADE LEVELS SHOULD MFN TREATMENT BE ESTABLISHED IN
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FUTURE, MANZHULO DODGED DIRECT ANSWER WITH EXCUSE THAT THERE IS LIT-

TLE POINT IN DEVOTING TIME TO SUCH CALCULATIONS IN THE ABSENCE OF REMOVAL OF THE TRADE BARRIER. ASKED WHETHER ABSENCE OF MFN OR BAN ON EX-IM BANK CREDITS WERE OF GREATER SIGNIFICANCE IN SOVIET FOREIGN TRADE DECISIONS, MANZHULO PUT MFN FIRST AS A MATTER OF PRINCIPLE BUT ADDED THAT CREDIT QUESTION IS ALSO "VERY SERIOUS". HOWEVER, CREDIT WAS AVAILABLE TO SOVIETS FROM OTHER SOURCES SUCH AS CANADA, FRANCE, THE UK AND JAPAN, WHICH SUBSIDIARIES OF U.S. FIRMS OFTEN MANAGED TO TAP.

3. DCM INQUIRED REGARDING STATUS OF ACCREDITATION OF OFFICES IN MOSCOW, CITING IN PARTICULAR COOPERS INDUSTRY AND ALLIS-CHALMERS APPLICATIONS WHICH HAVE BEEN UNDER CONSIDERATION FOR LENGTHY PERIOD. MANZHULO INDICATED THAT ACCREDITATION PRESENTED NO PROBLEM IN PRINCIPLE, BUT DELAY RESULTS FROM SOVIET INABILITY TO PROVIDE APPROPRIATE OFFICE AND LIVING QUARTERS. THEY HOPE THAT NEW TRADE CENTER WILL SOLVE PROBLEM, BUT IT MAY NOT BE COMPLETE BEFORE 1980. (ALBERT MEL'NIKOV, DEPUTY CHIEF OF THE ADMINISTRATION FOR TRADE WITH AMERICAN AND LATIN AMERICA, SUBSEQUENTLY CALLED E/C COUNSELOR TO SAY THAT ACCREDITATION WAS GIVEN TO COOPER INDUSTRIES EARLIER THIS YEAR, BUT NOT YET TO ALLIS-CHALMERS. DESPITE ACCREDITATION, HE SAID THAT IT HAD NOT YET BEEN POSSIBLE TO FIND OFFICE SPACE FOR COOPER.)

4. COMMENT: MANZHULO'S COMMENTS, EVEN THOUGH ENTIRELY PREDICTABLE, UNDERSCORE SERIOUSNESS OF SOVIET INTENTION TO SCALE DOWN PURCHASES FROM U.S. BUSINESS UNTIL DISCRIMINATORY TARIFF AND CREDIT CONDITIONS ARE REMOVED. WHILE TRADE AGREEMENTS (E.G. PEPSICO) ARE BEING SIGNED AND NEW ONES (E.G., BENDIX SPARK PLUGS) ARE UNDER ACTIVE CONSIDERATION, SOVIETS APPEAR DETERMINED TO LIMIT PURCHASES FROM U.S. FIRMS WHEREVER ALTERNATIVE SUPPLIER CAN OFFER COMPARABLE PRODUCT. THIS POLICY CAN ALSO HAVE ADVERSE CONSEQUENCES FOR USSR, IF VIGOROUSLY APPLIED, SINCE MAIN THEMES OF CURRENT FIVE YEAR PLAN ARE QUALITY AND COST EFFECTIVENESS IN THE PRODUCTION PROCESS, A GOAL WHICH AMERICAN KNOW-HOW AND EQUIPMENT COULD HELP TO ADVANCE.
STOESSEL

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